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CHARLES ELMORE

Supreme Court of the United States.

OCTOBER TERM, 1932.

No. 57.

GENERAL ELECTRIC COMPANY AND
CARBOLOY COMPANY, INC.,

Petitioners,

v.

THE MARVEL RARE METALS COMPANY,
THE OHIO INSTRUMENT MANUFACTURING COMPANY,
CHARLES L. GEBAUER AND C. F. WILLIAM BATES,

Respondents.

REPLY BRIEF FOR PETITIONERS.

CHARLES NEAVE,
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The Evening Post Job Printing Office, Inc., 154 Fulton St., New York, N. Y.

SUBJECT INDEX

PAGE

An order dismissing a counterclaim, but not disposing of the entire suit, is not a final decree..... 1

Plaintiffs have not waived their objection to the jurisdiction..... 5

TABLE OF CASES CITED

	PAGE
Allied Metal Stamping Co., Inc. *v.* Standard Electric Equipment Corporation, 35 F. (2d) 221 (C. C. A. 2d)	3
Cain *v.* Commercial Publishing Company, 232 U. S. 124	7
Ex Parte Indiana Transportation Company, 244 U. S. 456	6
Ex Parte National Enameling Co., 201 U. S. 156	3
Goldey *v.* Morning News, 156 U. S. 518	7
Grable *et al. v.* Killits, 282 Fed. 185 (C. C. A. 6th)	6
Gulf Smokeless Coal Co. *et al. v.* Sutton, Steele & Steele, *et al.*, 35 F. (2d) 433 (C. C. A. 4th)	6
Kauffman *v.* Wootters, 138 U. S. 285	7
Leman *v.* Krentler-Arnold Hinge Last Co., 284 U. S. 448	11
Morris & Co. *v.* Insurance Co., 279 U. S. 405	7
Mexican Central Ry. *v.* Pinkney, 149 U. S. 194	7
Munter *v.* Weil Corset Company, Inc., 261 U. S. 276	8
Naivette, Inc. *v.* Philad Co. *et al.*, 54 F. (2d) 623 (C. C. A. 6th)	2
Pioneer Grain Corporation *v.* Chicago, etc. Ry. Co., 42 F. (2d) 1009 (C. C. A. 8th)	3
Radio Corporation of America *v.* J. H. Bunnell & Co., Inc., 298 Fed. 62 (C. C. A. 2d)	3
Rexford *v.* Brunswick-Balke Co., 228 U. S. 339	2
Rosenberg Co. *v.* Curtis Brown Co., 260 U. S. 516	3
St. Louis & San Francisco Railway Company *v.* McBride, 141 U. S. 127	6
Sandusky Foundry & Machine Co. *v.* DeLavaud *et al.*, 251 Fed. 631 (D. C. N. D. Ohio, E. D.)	6
Southern Pacific Company *v.* Denton, 146 U. S. 202	7
Wabash Western Railway *v.* Brow, 164 U. S. 271	7
Winters *v.* Ethell, 132 U. S. 207	2
Wood *v.* Wilbert, 226 U. S. 384	10
Frank L. Young Co. *v.* McNeal-Edwards Co., 283 U. S. 398	11
York *v.* Texas, 137 U. S. 15	7

STATUTES CITED.

	PAGE
Act of February 28, 1927	4
Judicial Code, Sec. 129	2
U. S. Code, Title 28, Sec. 225	2, 3
Sec. 227	2, 3
Sec. 227A	4

RULES CITED.

Equity Rule 25	9
Equity Rule 29	9, 10
Equity Rule 30	9

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REPLY BRIEF FOR PETITIONERS.

Respondents' new counsel, who have come into the case since the death of Harold Elno Smith, Esq., after the writ of certiorari was granted, raise two questions not previously raised in any of the proceedings in the courts below or in this court. This reply brief is presented to cover these two points.

An order dismissing a counterclaim, but not disposing of the entire suit, is not a final decree.

Respondents' brief argues (pp. 21-23) that "the decision of the District Court in this case should be held to be a final decision". We point out, however, that if such were the case,

defendants would have been entitled to take their appeal under Title 28 U. S. Code, §225; and it would have been unnecessary to consider whether or not the dismissal of the counterclaim was the refusal of an injunction within the meaning of Title 28 U. S. Code, §227 (formerly Judicial Code, §129). The right of appeal from a final decree is not dependent upon the granting or refusal of an injunction or the appointment of a receiver.

Defendants' former counsel stated in his brief in the Circuit Court of Appeals in opposition to plaintiffs' motion to dismiss the appeal:

> "This appeal is taken under the provision of Judicial Code, §129."

The Circuit Court of Appeals likewise treated the dismissal of the counterclaim as interlocutory, and appealable, if at all, only under §129 of the Judicial Code, since it likened the instant case to *Naivette* v. *Philad,* 54 F. (2d) 623, wherein only that point was discussed.

This Court said of an interlocutory decree in *Rexford* v. *Brunswick-Balke Co.,* 228 U. S. 339 at 346:

> "Plainly such a decree is not appealable. If it were, the case could be taken to the appellate court in fragments by successive appeals. But this the law wisely prevents by postponing the right of appeal until there is a final decree disposing of the whole case. *Perkins* v. *Fourniquet,* 6 How. 206; *Grant* v. *Phoenix Ins. Co.* 106 U. S. 429; *McGourkey* v. *Toledo & Ohio Ry. Co.,* 146 U. S. 536; *Covington* v. *Covington First National Bank,* 185 U. S. 270; *Ex parte National Enameling and Stamping Co.,* 201 U. S. 156.
>
> As the Circuit Court of Appeals erred in entertaining the appeal, its decision is vacated and the case is remanded to the District Court, as successor to the Circuit Court, with directions to proceed to a final disposition of the case in regular course."

This Court held in *Winters* v. *Ethell,* 132 U. S. 207, that the dismissal of a cross-complaint was not a final decree and was not appealable until after the entry of final decree. This

has been followed in such cases as *Pioneer Grain Corporation* v. *Chicago etc. Ry. Co.*, 42 F. (2d) 1009 (8th C. C. A.); *Radio Corporation* v. *Bunnell*, 298 Fed. 62; and *Allied Metal Stamping Co.* v. *Standard Electric Equipment Corporation*, 55 F. (2d) 221 (2nd C. C. A.).

Defendants' brief cites no authority for treating the dismissal of a counterclaim before disposition of the entire suit as a final decree, and we have found none. *Rosenberg* v. *Curtis-Brown*, 260 U. S. 516, cited in defendants' brief, which treats an order quashing a summons as a final judgment, is not in point.

The defendants' brief argues for an interpretation of § 129 Judicial Code (Title 28 U. S. Code, §227) which is inconsistent with the legislative intent as disclosed by the history of the statute.

As first enacted in 1891 (26 Stat. 828), the statute authorized an interlocutory appeal from an order *granting* an injunction. Obviously the improvident granting of an injunction from which no appeal could be taken until after final decree might work irreparable injustice to a defendant. Congress provided the remedy of an interlocutory appeal to the Circuit Court of Appeals.

By the amendment of 1895 (28 Stat. 666) Congress recognized that the improvident *denial* of an injunction, from which no appeal could be taken until after final decree, might constitute an equally serious injustice to a plaintiff, and provided the remedy of an interlocutory appeal from the refusal of an injunction.

The improvident appointment of receivers had come by 1900 to be recognized as a serious injustice and Congress amended the statute to authorize an interlocutory appeal from such appointment (31 Stat. 660). In this amendment the provision for interlocutory appeal from an order refusing an injunction was omitted, but after the decision in *Ex Parte National Enameling Co.*, 201 U. S. 156, the omission was rectified in 1911 (36 Stat. 1134). As the statute stands to-day, it authorizes interlocutory appeals from orders grant-

ing or refusing injunctions or appointing receivers. To this day it contains no provision authorizing an appeal from an order denying an application for the appointment of a receiver.

The Act of February 28, 1927, introduced § 227A into Title 28 U. S. Code. This new section authorizes an interlocutory appeal in a patent case where a decree is rendered which is final except for the fact that it orders an accounting. This takes care of the rather exceptional patent case where the defendant is ordered to account for infringement, but no injunction can be granted on account of the expiration of the patent in suit. It affords the defendant an opportunity to have the question of liability reviewed on appeal without having to wait until the completion of the accounting and the entry of final decree. It likewise authorizes the plaintiff to have a review in case the District Court holds some, but not all, of the claims sued upon invalid or not infringed, and so excludes them from the accounting.

Clearly the purpose of Congress has been to provide remedies for specified types of serious injustice worked by improvident acts of the courts of original jurisdiction by authorizing prompt appeals from orders which may work such injustice. We find in the history of the statute no basis for the statement in defendants' brief (pp. 10 and 11), that the consistent purpose of Congress was to simplify court procedure and to restrict cases in so far as possible to a single trial and a single appeal.

The order of the District Court in the instant case, even if erroneous, worked no serious injustice of any type for which Congress has provided the remedy of an interlocutory appeal. It neither granted nor refused an injunction nor appointed a receiver. It left the defendants perfectly free to institute suit in any proper district, to make their application for injunction there, and to have a prompt appeal from any order denying their application for issuance of an injunction.

Plaintiffs have not waived their objection to the jurisdiction.

Under the heading of "Jurisdiction", the brief filed by defendants' new counsel discusses "Waiver by bringing suit" (pp. 23-25) and also "Waiver by pleading to merits" (pp. 25-31). In the courts below only "Waiver by bringing suit" was urged, and at no stage of the proceedings until their present brief has there been any suggestion on the part of the defendants that plaintiffs waived their objection to the jurisdiction by the form of their motion to dismiss the counterclaim.

While the District Court filed no opinion in granting plaintiffs' motion to dismiss the counterclaim, defendants regarded the District Court's action as based "on the theory that the plaintiffs had no regular and established place of business within the jurisdiction" (brief in opposition to petition for writ of certiorari, p. 1). The second opinion of the Circuit Court of Appeals makes it clear that it based its decision on the ground that "where the court has jurisdiction, venue is waived in respect of all counterclaims permissible under Equity Rule 30" and that "venue of the court is attributable to the act of plaintiff in the filing of his original bill" (R. 47).

The assignment of errors filed by the defendants in connection with their appeal to the Circuit Court of Appeals raised no question of waiver by the plaintiffs of their objection to the jurisdiction by the form of their motion to dismiss (R. 33) and none was raised in the Circuit Court of Appeals.

On familiar principles it is desirable that this Court should base its decision on its own conclusions as to the correctness or incorrectness of the views on which the courts below based their decisions, and not on a point which was never urged upon or considered by the lower courts. Especially is this so since the question presented to and decided by the lower

courts and brought up for review by this writ of certiorari is one which has been the subject of great conflict of decision.

In support of their argument that the plaintiffs waived their right to object to the jurisdiction by the form of their motion to dismiss the counterclaim (R. 14), defendants' counsel cite the following cases:

St. Louis & San Francisco Ry. Co. v. *McBride,* 141 U. S. 127;
Sandusky Machine Co. v. *DeLavaud,* 251 Fed. 631;
Gulf Smokeless Coal Co. v. *Sutton, Steele & Steele, et al.,* 35 F. (2d) 433;
Grable v. *Killits,* 282 Fed. 185.

We point out that each one of these cases deals with the situation where a defendant who has not theretofore been subjected to the jurisdiction of the court for any purpose questions the merits of the plaintiff's suit and also endeavors to question the jurisdiction of the court.

This Court has recognized that there is a distinction between such cases and cases where the party objecting to the jurisdiction is already in court for another purpose. It said in *Ex Parte Indiana Transportation Co.,* 244 U. S. 456 at 458:

> "The only question is whether the petitioner lost its rights by its mode of asserting them; the argument for the respondent being that the exceptions above mentioned amounted to an appearance and plea to the merits, and that thus the absence of service was cured. But it is to be remembered that the motion for leave to intervene was a motion in the cause in which petitioner already had appeared. We should not be astute to treat recognition that it was in court as the case stood before the motion to let in upon it an avalanche of new claims, as waiving what it was the prime and only purpose of the exceptions to prevent. The language of the first exceptions was not as explicit as it might have been but the absence of service seems to us sufficiently covered by the words, 'Because the above-named respondent cannot in law, in this case, be called upon to answer the said amended libel as to 373 additional libellants'.

> The second exception, still insisting on the petitioner's denial that the court had jurisdiction of it in respect of the new claims set up, pleaded further, upon the rule to answer, that the amended libel did not state a cause of action. But if the principles of waiver and appearance by pleading to the merits are not modified in a case where the defendant already is in court, it is true at least that when objections to the jurisdiction have been overruled the defendant does not lose its rights by pleading to the merits."

The first exceptions included not only the words which Justice Holmes quoted as covering the absence of service, but also an exception that the amended libel was contrary to law because it joined 373 libellants who had separate causes of action (244 U. S. at 457, and Transcript of Record in that case). The language seems appropriate to an objection on the ground of misjoinder of parties or causes of action. This Court held that the objection to the jurisdiction had not been waived.

This Court has always asserted the right to distinguish between waivers of jurisdictional objections based on actual intent to waive and those based on some fiction or arbitrary state statute. For example, it has held that the removal of a case from a state court to a federal court is not a waiver of objections to the jurisdiction, even though the appearance in the state court is not stated to be specially for the purpose of removal: *Goldey* v. *Morning News,* 156 U. S. 518; *Wabash Western Ry.* v. *Brow,* 164 U. S. 271; *Cain* v. *Commercial Publishing Co.,* 232 U. S. 124; *Morris & Co. v. Insurance Co.,* 279 U. S. 405, 409.

It has emphatically refused to apply in cases in the federal courts state statutes providing that a special appearance to object to the jurisdiction shall be taken as a general appearance to the next term of the court: *Southern Pacific Co.* v. *Denton,* 146 U. S. 202; *Mexican Central Ry.* v. *Pinkney,* 149 U. S. 194—and this in spite of the fact that the same statute had been held constitutional as applied to cases in the state courts, *York* v. *Texas,* 137 U. S. 15; *Kauffman* v. *Wootters,* 138 U. S. 285.

In *Munter* v. *Weil Corset Co. Inc.*, 261 U. S. 276, it is said at page 278:

> "We have decided in cases which concern the jurisdiction of the federal courts that notwithstanding the Conformity Act, neither the statutes of the States nor the decisions of their courts are conclusive upon the federal court, the determination of such questions being 'in this court alone'."

Defendants' counsel contend for the proposition that when an objection to the jurisdiction is asserted and an objection is also directed to the merits, the objection to the jurisdiction is waived. Such contention we submit pushes the doctrine of waiver beyond its reasonable limits.

We have already pointed out that the plaintiffs in the instant case, by filing their suit against the defendants in the District Court for the Northern District of Ohio, were already in court for the purposes of their own suit. When the defendants filed their answer and counterclaim they did not ask for the issuance of any process to bring the plaintiffs before the court to respond to their counterclaim, nor did they make any attempt to serve any process. Had they done so they would have met with the difficulty that their counterclaim failed to allege either that the plaintiffs were inhabitants of the Northern District of Ohio or that they had committed acts of infringement therein and maintained a regular and established place of business therein, which omissions are apparent on the face of the counterclaim (R. 10-13), and cannot be supplied by reference to the bill of complaint for the reason that it alleges that both plaintiffs are New York corporations (R. 1). After the filing of plaintiffs' motion to dismiss the counterclaim defendants moved to amend their answer (R. 14, 15) by alleging that the plaintiffs had infringed the defendants' patent, but still without specifying that the alleged infringement took place within the Northern District of Ohio. Even after the amendment was allowed (R. 16) the counterclaim failed to allege the necessary facts to give the District Court for the Northern District of Ohio jurisdiction, except by consent of the plaintiffs.

For the defendants' new counsel to assert now for the first time that the plaintiffs gave such consent and to adduce in support of their assertion nothing but the plaintiffs' motion to dismiss the counterclaim (R. 14) on three grounds, the first of which was that the court had no jurisdiction thereof, is, we submit, something of a distortion of the common meaning of language.

Equity Rule 25 specifies that a bill in equity shall contain "a short and plain statement of the grounds upon which the court's jurisdiction depends" and it seems reasonable to apply the same requirement to a counterclaim. Equity Rule 29 provides:

> "Demurrers and pleas are abolished. Every defense in point of law arising upon the face of the bill, whether for misjoinder, nonjoinder, or insufficiency of fact to constitute a valid cause of action in equity, which might heretofore have been made by demurrer or plea, shall be made by motion to dismiss or in the answer; and every such point of law going to the whole or a material part of the cause or causes of action stated in the bill may be called up and disposed of before final hearing at the discretion of the court."

Equity Rule 30 provides:

> "The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense."

Since plaintiffs' objection to the jurisdiction was apparent upon the face of the counterclaim, plaintiffs made their motion to dismiss on the ground of lack of jurisdiction, and in the same motion called attention also to other defects appearing upon the face of the counterclaim, but without any suggestion that they intended thereby to waive their objection to the jurisdiction.

Apparently the plaintiffs could have preserved their objection to the jurisdiction under Equity Rules 29 and 30 by replying to the counterclaim and including in their reply, first, their objection to the jurisdiction, second their objection to

the misjoinder of parties, third their objection to the sufficiency of the counterclaim, and fourth their answer to the merits of the allegations of the counterclaim; and any one or all of the first three of these objections could have been called up and disposed of before final hearing at the discretion of the court under the provisions of Equity Rule 29.

In *Wood* v. *Wilbert,* 226 U. S. 384, at 386, this Court said:

> "It was contended in the court below that the appellees, by entering a formal appearance, waived their right to object to the jurisdiction. But they at the same time filed an exception to the jurisdiction, and the District Court decided that the two papers should be considered together, and, so considering them, held that they could not be regarded as a consent on the part of the defendants to submit themselves to the jurisdiction of the court. The ruling is not assigned as error. It is urged further that neither the exception nor the demurrer complied with the thirty-first equity rule, in that the appellees did not made affidavit that they were not interposed for delay. It is sufficient to answer that the objection was not made in the court below and is not assigned as error on this appeal. We therefore pass to the consideration of the question certified."

In that case the district court had held that it had no jurisdiction to entertain the suit except by consent of the defendants. In considering the effect of the entry of "their formal appearance in the usual way" and their objection to the jurisdiction, the district court said (Transcript of Record, *Wood* v. *Wilbert, supra*):

> "I consider these two documents should be construed together, and that, giving them the greatest possible weight they cannot be construed to be a consent, on the part of the defendants, to submit themselves to the jurisdiction of this court."

Whatever may be the practice as to converting an objection to the jurisdiction into a waiver of the objection when a defendant not otherwise before the court answers to the merits or appears generally without waiting for a ruling on his objection to the jurisdiction, it is respectfully submitted

that in the instant case where the plaintiffs were already in court for the purposes of their own suit, the contention that they have waived their objection to the jurisdiction should not be sustained. They insisted on their objection in the District Court and in the Circuit Court of Appeals (R. 42, 44). No process was attempted to be served on the plaintiffs to bring them into court on the counterclaim; and as they were already in court for the purposes of their own suit there was nothing to require them to enter an appearance, either general or special. No claim of waiver was made in the District Court or in the Circuit Court of Appeals, or in the brief filed in opposition to the petition for writ of certiorari.

In the last full paragraph of the text on page 24 of the respondents' brief, counsel say that we have suggested that the original suit on which were based the contempt proceedings considered in *Leman* v. *Krentler-Arnold Hinge Last Co.*, 284 U. S. 448, was governed by the Conformity Act. Respondents' counsel are in error. On page 21 of our main brief, we stated that in *Frank L. Young Co.* v. *McNeal Edwards Co.*, 283 U. S. 398, this Court held that under a Massachusetts statute and the Conformity Act, the U. S. District Court in Massachusetts had acquired jurisdiction. Our reference was not to *Leman* v. *Krentler-Arnold* at all.

In conclusion, we respectfully submit that the order dismissing defendants' counterclaim was not final and is not appealable until after final decree has been entered; that plaintiffs have properly asserted and preserved their objection to the jurisdiction; and that the district court has no jurisdiction to entertain the counterclaim without the consent of the plaintiffs.

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